

19

1966 ANNUAL REPORT

**National
Trust**

SINCE 1898

MAY 24 1967

69TH ANNUAL REPORT, 1966

**National
Trust**

SINCE 1898

BOARD OF DIRECTORS

MELVYN G. ANGUS

President, Lunham & Moore Limited

J. D. BARRINGTON

*President and Managing Director,
McIntyre Porcupine Mines, Limited*

FRED B. BROWN

Vice-President & Director, The Bank of Nova Scotia

FRASER W. BRUCE

President, Aluminum Company of Canada, Limited

C. F. CARSLEY, M.B.E.

President and Director, Canada Vinegars Limited

ANDRÉ CHARRON, Q.C.

Executive Vice-President, J. L. Lévesque & L. G. Beaubien Ltée.

THOMAS S. DUNCANSON

Chairman of the Board, Moore Corporation, Limited

E. C. FOX

Vice-President

E. C. GILL, LL.D., F.S.A.

Vice-Chairman of the Board, The Canada Life Assurance Company

J. GRANT GLASSCO, O.B.E., F.C.A.

President, Brazilian Light and Power Company, Limited

C. BRUCE HILL, M.C.

Chairman of the Board, E T F Tools Limited

GRANT HORSEY

Chairman, Salada Foods Ltd

THE HONOURABLE F. J. HUGHES, Q.C., LL.D.

J. G. HUNGERFORD, Q.C.

Chairman

W. F. JAMES

*W. F. James, B. S. W. Buffam and
M. A. Cooper, Consulting Geologists*

R. A. LAIDLAW

Honorary Chairman

A. HAZLETT LEMMON

President, The Canada Life Assurance Company

ARGUE MARTIN, Q.C.

Martin & Martin, Barristers

THE RIGHT HON. VINCENT MASSEY,

P.C., C.H., D.C.L., LL.D.

JOHN L. MCCARTHY

*Vice-President and Director, The Canada Life Assurance
Company*

ANSON C. MCKIM, O.B.E.

Chairman of the Board, Courtaulds (Canada) Limited

NEIL J. MCKINNON

Chairman, Canadian Imperial Bank of Commerce

GRAHAM MORROW, O.B.E.

Director, The Imperial Life Assurance Company

F. WILLIAM NICKS

Chairman of the Board and President, The Bank of Nova Scotia

W. M. O'CONNOR

COLIN OSBORNE

JAMES C. PARLEE

*Executive Vice-President, The International Nickel Company
of Canada, Limited*

H. E. PEARSON, M.C.

Chairman of the Board, Selkirk Holdings Limited

RONALD W. PEARSON, D.S.O., M.C.

J. ALEX. PRUD'HOMME, Q.C.

*Director and Vice-President,
Aluminum Company of Canada, Limited*

RENAULT ST-LAURENT, Q.C.

St-Laurent, Monast, Desmeules & Walters, Barristers

FRANK A. SHERMAN

Chairman of the Board, Dominion Foundries and Steel, Limited

FRANK H. SHERMAN

President, Dominion Foundries and Steel, Limited

JOHN H. TAYLOR

President, Liquifuels Limited

EDGAR F. TOLHURST

Chairman, Tolhurst Oil Limited

STANLEY M. WEDD

Director, International Business Machines Company Limited

D. G. WILLMOT

President, Anthes Imperial Limited

HARRY H. WILSON

President

J. ELMER WOODS

President, The Monarch Life Assurance Company

G. D. DE S. WOTHERSPOON, D.S.O., E.D., Q.C.

Vice-President and Director, The T. Eaton Co. Limited

SUMMARY OF RESULTS 1966

END OF YEAR	1966	1965	INCREASE
Savings Deposits - - - - -	\$200,588,832	\$196,843,317	\$3,745,515
Guaranteed Investment Certificates - - -	86,482,867	42,416,939	44,065,928
Capital Funds - - - - -	20,813,182	20,049,166	764,016
Estates, Trusts and Agencies - - - - -	1,191,551,308	1,113,917,016	77,634,292

TOTAL FOR YEAR

Profits before taxes - - - - -	\$3,572,583	\$3,250,155	\$322,428
Taxes - - - - -	1,690,917	1,567,672	123,245
Net profits - - - - -	1,881,666	1,682,483	199,183
Dividends paid - - - - -	1,117,650	1,080,396	37,254

PER SHARE

Profits before taxes - - - - -	\$1.92	\$1.74	\$.18
Taxes - - - - -	.91	.84	.07
Net profits - - - - -	1.01	.90	.11
Dividends paid - - - - -	.60	.58	.02

EXECUTIVE OFFICERS
OF THE COMPANY

J. G. HUNGERFORD, Q.C., *Chairman*

HARRY H. WILSON, *President*

E. H. HEENEY, *Executive Vice-President*

Vice-Presidents

E. H. AINLAY, *Finance*

J. L. A. COLHOUN, *Corporate Trust*

G. D. FORSYTH, *Secretary*

H. M. GALE, *Western Offices*

J. M. ROBINSON, *Personal Trust*

A. P. SMIBERT, C.A., *Montreal Office*

W. G. THOM

R. M. YOUNG, *Hamilton Office*

Assistant Vice-Presidents

T. KNOTTENBELT, *Finance*

D. M. MCCLELLAND, C.A., *Comptroller*

J. S. MCKENDY, *Finance*

F. T. SMITH, *Finance*

A. S. THOMPSON, *Finance*

B. E. HARRISON *Personnel Director*

HIGHLIGHTS

from the Chairman's address at the Annual Meeting

J. G. Hungerford, Chairman

The statement which I have the pleasure to present to you today is, I think, a very satisfactory one. It reflects clearly the Company's strength and liquid condition.

In a year which has been a most eventful one for the financial community, our profits after taxes were \$1,881,666, an increase of 12% over 1965. Assets under administration rose by \$112,896,485. They now amount to \$1,542,798,533, a new record in your Company's 69-year history.

Evidence of public confidence in the Company's financial stability has again been demonstrated by the record increase in savings. More Canadians entrusted us with a far greater volume of savings in 1966 than in any previous year. The net increase in the aggregate of savings deposits and investment certificates was more than \$47,000,000, an increase of 20% over 1965.

1966 was a year during which the investment policies of financial institutions which accept deposits were put to the test. It was a year which proved the soundness of the conservative policies of your Company in its investment for guaranteed account. We believe that borrowing short and lending long is a hazardous policy for deposit-taking institutions. In times of tight money such as we are now experiencing, liquidity becomes a matter of paramount importance.

All departments of the Company had very satisfactory earnings. Personal Trust, Savings, Bond Trusteeship and Stock Transfer departments all increased their contributions to profits, while the volume of pension trust business continued to increase at a healthy rate despite the coming into force of the Canada Pension Plan.

You, our shareholders, are familiar with the policy of branch office expansion that we have been following in recent years. In 1966 we extended our services to four additional communities: in British Columbia at Oak Bay, and in Ontario at Weston and Agincourt. These three branch offices have been established in close proximity to cities where we carry on fully integrated operations. A fourth office was opened in the rapidly expanding city of St. Catharines where we offer the full range of Company services. We believe that these four offices will attract valuable new business to the Company.

NEW BUILDINGS

We now occupy new and very attractive offices in Winnipeg where our building was opened in May of this year—the old building, you will recall, was destroyed by fire—and in Montreal where a meeting of our Board of Directors was held in September to mark the opening of our new quarters at the corner of Sherbrooke and Crescent Streets. Our offices at Winnipeg and Montreal were established at the turn of the century. Both have played a most important part in the expansion of the Company's business and the fine new premises which they now occupy will undoubtedly be a great advantage to them in their future development.

DEPOSITOR PROTECTION

One might get the impression from reading statements quoted in the press these days that, in the world of finance, trust companies are the "bad guys". The inference seems to be that trust companies lack a genuine interest in depositor protection. Nothing could be further from the truth.

It would be folly for us, even in our own selfish interests, to relax our efforts towards

ADVISORY BOARDS

Montreal

MELVYN G. ANGUS

President, Lunham & Moore Limited

FRASER W. BRUCE

President, Aluminum Company of Canada, Limited

C. F. CARSLEY, M.B.E.

President and Director, Canada Vinegars Limited

ANDRÉ CHARRON, Q.C.

Executive Vice-President, J. L. Lévesque & L. G. Beaubien Ltée.

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Chairman of the Board, Courtaulds (Canada) Limited

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RENAULT ST-LAURENT, Q.C., LL.D.

St-Laurent, Monast, Desmeules & Walters, Barristers

EDGAR F. TOLHURST

Chairman, Tolhurst Oil Limited

St. Catharines

H. E. HARRIS, Q.C.

Fleming, Harris, Barr, Hildebrand, Geiger & Daniel, Barristers

C. BRUCE HILL, M.C.

Chairman of the Board, E T F Tools Limited

D. G. WILLMOT

President, Anthes Imperial Limited

Winnipeg

WILLIAM A. JOHNSTON, Q.C.

Johnston, Garson, Forrester, Davison & Taylor, Barristers

E. H. MONCRIEFF

President, Standard Aero Engine Ltd.

KENNETH A. POWELL

President, K. A. Powell (Canada) Limited

GEORGE T. RICHARDSON

Vice-President, James Richardson & Sons Limited

C. GORDON SMITH

*Vice-President and Director,
The Monarch Life Assurance Company*

J. ELMER WOODS

President, The Monarch Life Assurance Company

Edmonton

C. W. CLEMENT, Q.C.

Clement, Parlee, Irving, Mustard & Rodney, Barristers

F. W. FORSTER, SR.

President, Bennett and White Alberta (1963) Ltd.

P. L. P. MACDONNELL, Q.C.

Milner & Steer, Barristers

HUGH MCCOLL

President, South Park Motors Ltd.

A. HOADLEY MITCHELL

*Mitchell & Associates Ltd., Consulting
Petroleum Engineers & Geologists*

ALAN H. NASH, C.A.

Nash & Nash, Chartered Accountants

H. E. PEARSON, M.C.

Chairman of the Board, Selkirk Holdings Limited

Calgary

GEORGE L. MCMAHON

*Director, Pacific Petroleum Ltd.
Director, Western Pacific Products & Crude Oil Pipeline Ltd.
Director & Vice-President,
Westcoast Transmission Company Limited*

SMILEY RABORN, JR.

*President, Canadian Delhi Oil Ltd.;
Director, Trans-Canada Pipe Lines Ltd.*

Vancouver

FRED B. BROWN

Vice-President & Director, The Bank of Nova Scotia

R. B. BUCKERFIELD

Director, R. L. Crain Limited

H. H. DINGLE

Director, Johnston Terminals and Storage Limited

R. M. HUNGERFORD

President, Clayburn-Harbison Ltd.

VICTOR F. MACLEAN

President, Kelly, Douglas & Company, Limited

C. H. MCLEAN

*Chairman of the Board, British Columbia Telephone Company;
Director, The Bank of Nova Scotia*

JOHN A. MCMAHON

President, Inland Natural Gas Co. Ltd.

RONALD W. PEARSON, D.S.O., M.C.

FORREST ROGERS

*Chairman of the Board,
The British Columbia Sugar Refining Company, Limited*

PETER PAUL SAUNDERS

*Vice-Chairman of the Board,
Laurentide Financial Corporation Ltd.*

FRANK N. YOUNGMAN

Vice-Chairman of the Board, Crown Zellerbach Canada Limited

Victoria

THOMAS G. DENNY

Partner, Standard Furniture Company

G. FITZPATRICK DUNN, F.C.A.

J. HOWARD HARMAN

*Harman and Co., Barristers & Solicitors;
Director, Beaver Lumber Company Limited*

ERNEST HEYBROEK

MAJ.-GEN. THE HON. GEORGE R. PEARKES,
V.C., P.C. (Canada), C.B., D.S.O., M.C.

W. ALLAN PENDRAY

strengthening the industry through legislation. We are very much aware of the concern which has developed following recent casualties and weaknesses in the financial community. While these have occurred in areas outside the trust industry, we are conscious of the effect that they have had on all financial intermediaries.

The demand for legislation to protect depositors had its source in the Porter Commission. Depositor protection was one reason for the Commission's recommendation that trust companies should be brought under federal banking regulation. However, any attempt to implement this recommendation would have run up against the jurisdiction of the provinces and this meant that the Commission's proposal was impractical.

The trust companies, therefore, undertook to find a workable solution. Following several years of study, the Trust Companies Association of Canada produced a "Programme for Cooperative Action by Governments" to protect depositors. It was presented to Ottawa and to all provincial governments last January.

I described this programme in my address to you last year. It urged the enactment by Ottawa and by all provinces of legislation establishing certain standards of operation essential to the safety of depositors—investment, liquidity, audit, reportings, inspection and regulation. The provinces could either enforce these standards themselves or could require companies to be licensed and regulated under the federal Trust Companies Act.

What this programme really did was to meet in a constitutional manner the objective sought by the Porter Commission, namely regulation subject to uniform controls essential to depositor protection. Whether regulation would be entirely federal or partly provincial is of no moment: there is no magic in federal regulation.

I am glad to say that the programme had a good reception by the provinces. Already the protective provisions which it recommended

have been enacted into law by Ontario and Alberta. Legislation is also being planned by Quebec, which has set up a Commission to review trust company legislation, by British Columbia and by Prince Edward Island. Other provinces have also indicated their interest. Ottawa, however, has taken a different course.

The federal government has proposed instead a scheme of deposit insurance. While we understand that it will be compulsory for chartered banks and federally incorporated trust companies, participation will be voluntary for provincial trust companies. The plan contemplates that the advantages of obtaining insurance will lead to universal participation for competitive reasons. Thus, the aim of the federal government is to bring all trust companies under federal regulation without violating the Constitution.

It is impossible to predict how this proposal will fare. There are indications that the attitude of some provinces will prevent the scheme having a country-wide application: for example, there is strong evidence that Quebec considers the proposal an invasion of provincial jurisdiction. The Canadian Bankers' Association is opposed to it on the ground that such protection is not necessary for depositors in Canadian chartered banks. In their view, the cost involved would be economically wasteful. Should this proposal for any reason be abandoned, I believe that our programme continues to offer a fully effective alternative.

On the other hand, should Parliament decide to proceed with deposit insurance, there is no doubt that properly framed legislation could provide a substantial measure of depositor protection. If it became compulsory for banks and federally incorporated trust companies, then public preference would in time probably make it necessary for provincially incorporated companies to participate as well, either in this or in a provincially operated scheme.

COMPANY OFFICES AND MANAGERS

Toronto—Head Office

21 King Street East

Branch Offices

Northtown Shopping Centre, 5385 Yonge St., Willowdale
C. E. BAIN, *Manager*

Golden Mile Plaza, 1882 Eglinton Ave. E., Scarborough
R. B. TEMPLETON, *Manager*

11 St. Clair Avenue W., Toronto 7
R. W. MYLES, *Manager*

Cloverdale Mall, Hwy. 27 and Dundas Street W., Islington
R. C. ADAMS, *Manager*

1547 Bayview Avenue, Toronto 17
A. I. RIDDELL, *Manager*

2360 Bloor Street W., Toronto 9
J. S. HOLMES, *Manager*

938 St. Clair Avenue W., Toronto 10
H. KAARLS, *Manager*

350 Eglinton Avenue, West, Toronto 12
F. FERGUSON, *Manager*

2072 Danforth Avenue, Toronto 13
K. NICKEL, *Manager*

Eastown Shopping Centre,
2646 Eglinton Ave. E., Scarborough
M. ORAM, *Manager*

3350 Yonge Street, Toronto 12
R. T. REEVES, *Manager*

2860 Lake Shore Blvd. W., New Toronto
J. NESS, *Manager*

18 Bloor Street West, Toronto 5
J. A. HAND, *Manager*

1922 Weston Road, Toronto 15
G. A. STEPHENSON, *Manager*

Agincourt Mall,
3850 Sheppard Avenue, East, Scarborough
E. C. O'BRIEN, *Manager*

Montreal

1350 Sherbrooke Street, West, Montreal 25
A. P. SMIBERT, C.A., *Manager*

Branch Offices

1011 St. Catherine Street West, Montreal 2
L. LAMARCHE, *Manager*

Rockland Shopping Centre, 2237 Rockland Road,
Town of Mount Royal, Montreal 16
J. FITZGIBBON, *Manager*

Plaza St. Hubert, 6873 St. Hubert St., Montreal 10
V. CATONI, *Manager*

Oshawa

32 Simcoe Street South, Oshawa
D. G. MALCOLM, *Manager*

Hamilton

11 Main Street East, Hamilton
R. M. YOUNG, *Manager*

Branch Offices

Greater Hamilton Shopping Centre,
Barton Street, Hamilton
W. J. NEALE, *Manager*

Fennell Square Shopping Plaza,
Gage and Fennell Avenues, Hamilton
M. D. SHERMAN, *Manager*

527 Brant Street, Burlington, Ontario.
D. W. TINLIN, *Manager*

999 King Street West, Westdale
J. H. REYNOLDS, *Manager*

St. Catharines

26 Queen Street, St. Catharines
A. E. GARDINER, *Manager*

Winnipeg

250 Portage Avenue, Winnipeg
T. B. NASH, *Manager*

Branch Office

Polo Park Shopping Centre,
111 Polo Park, 1485 Portage Avenue
A. W. S. DONALD, *Manager*

Calgary

330-8th Avenue West, Calgary
J. H. MCKIBBEN, *Manager*

Branch Office

Chinook Shopping Centre, 6423 Macleod Trail
M. SNIDAL, *Manager*

Edmonton

10072 Jasper Avenue, Edmonton
R. G. SMITH, *Manager*

Branch Office

Westmount Shoppers' Park,
213 Shoppers' Park, Westmount
A. K. GILMOUR, *Manager*

Vancouver

510 Burrard Street, Vancouver
J. C. C. WANSBROUGH, *Manager*

Branch Offices

Park Royal Shopping Centre,
955 Park Royal, West Vancouver
T. R. EVERETT, *Manager*

Brentwood Shopping Centre,
528 Brentwood Shopping Centre, Burnaby 2
T. W. PROUDLOCK, *Manager*

999 Denman Street, West End Vancouver
R. J. SPINKS, *Manager*

Victoria

1280 Douglas Street
G. B. EMPEY, *Manager*

Branch Office

2190 Oak Bay Avenue
GRAHAM TURNER, *Manager*

THE TRUST BUSINESS

The trust companies of Canada have built an enviable name and reputation for themselves over the last hundred years or so of their existence. A remarkable record is there for everyone to see—Canadians now entrust our industry with over sixteen billions dollars of their assets.

The trust business is not, however, as you our shareholders appreciate, one in which quick success can be achieved. It must be built slowly and on a solid foundation, where requirements for liquidity and necessary reserves are recognized as basic to a healthy development and expansion. I believe it to be in the interests of all companies, large and small, to follow those practices and standards of trusteeship which over the years have brought the trust business the reputation it has earned and the success it has achieved.

ESTATE TAXES

In recent months the provinces of Alberta and Saskatchewan announced their intention to discuss with the federal government the abolition of estate tax. They would forgo their claims to 75% of the estate tax collected in their provinces which is now remitted to them by Ottawa. They hope to encourage the federal government to abandon this area of taxation altogether.

Alberta has termed the estate tax "economically self-defeating" in that it encourages people to transfer their assets to tax havens—those jurisdictions where no death duties are levied. While this action is often condemned, it is a fact that more and more people are seeking these havens to avoid what they consider confiscation by governments of an unduly large portion of their estates.

It should be generally recognized that the combined effect of income taxes and death duties has a discouraging effect on the creation of capital formation in Canada. Capital formation should be encouraged in every

possible way if we Canadians are to provide for the development of our industry and resources and lessen our reliance on investment from outside the country.

It is refreshing to see this reversal of the usual taxation pattern—one with which we are all too familiar—and to recognize a courageous and imaginative effort on the part of these provinces, which in the end is bound to benefit not only the provinces themselves but the country as a whole.

THE ECONOMY

Now I would like to speak briefly about the economy. At the risk of disappointing you, I will not try to estimate the gross national product nor prophesy the quantum of capital outlays or consumer spending for 1967 because I know that, before this annual reporting season is finished, you will be harassed by a multiplicity of predictions involving such figures. One prediction that I can safely make, however, is that there will only be fractional differences in the figures which the various forecasts will contain.

The economic expansion which began six years ago, while showing signs of slackening in the year ahead, still appears to contain sufficient momentum to warrant the expectation that a satisfactory level of overall business activity will again be achieved. It is apparent, however, that a variety of problems, both domestic and international in nature, not only make the task of forecasting more than usually difficult but could have the effect of slowing the rate of expansion of our economy to a greater degree than is anticipated at present.

In an environment like this, it is doubly important for large investors such as ourselves to be flexible in our outlook and to maintain a sufficient degree of mobility in our financial state to enable us to adapt quickly to changing conditions. Our ability to do so means the difference between a good and a mediocre performance in the Company's operations.

BALANCE SHEET

Assets

	<u>1966</u>	<u>1965</u>
Securities:		
Canadian and Provincial Government Bonds - - - - \$	73,821,653	\$ 66,234,655
Municipal Bonds - - - - - - - - - - - - - -	7,085,146	6,201,697
Other Bonds and Debentures:		
Maturing within one year - - - - - - - - - -	51,365,675	52,879,427
Other maturities - - - - - - - - - - - - - -	19,772,901	17,668,812
Stocks -	7,526,464	8,871,748
	<u>\$ 159,571,839</u>	<u>\$ 151,856,339</u>
Cash on deposit and on hand - - - - - - - - - -	5,067,172	3,175,737
Loans secured by Bonds and Stocks- - - - - - - - - -	84,529	300,214
Advances to Estates, Trusts and Agencies - - - - - - - -	308,751	316,156
Mortgages, less reserve - - - - - - - - - - - - - -	183,126,537	157,557,084
Office Premises and Equipment, less reserve - - - - - - -	3,088,397	2,779,502
<i>Note: Canadian and Provincial Government Bonds are carried at amortized cost, other securities at cost less reserves, and the aggregate is less than quoted market values.</i>		
	<u><u>\$ 351,247,225</u></u>	<u><u>\$ 315,985,032</u></u>
 ESTATES, TRUSTS AND AGENCIES		
Securities, Cash and other Assets- - - - - - - - - -	<u><u>\$1,191,551,308</u></u>	<u><u>\$1,113,917,016</u></u>

Auditors' Report to the Shareholders

We have examined the balance sheet of National Trust Company, Limited as at October 31, 1966. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

The assets held for Guaranteed Account and for Estates, Trusts and Agencies are kept separate from the Company's own assets and are so earmarked on the books of the Company as to show the accounts to which they belong.

In our opinion, the accompanying balance sheet presents fairly the financial position of the Company as at October 31, 1966.

Toronto, November 17, 1966.

CLARKSON, GORDON & CO., Chartered Accountants.

Liabilities and Capital

	1966	1965
Liabilities:		
Guaranteed Account:		
Savings Deposits - - - - -	\$ 200,588,832	\$ 196,843,317
Term Deposits - - - - -	42,397,510	55,822,444
Guaranteed Investment Certificates - - - - -	86,482,867	42,416,939
	<u>\$ 329,469,209</u>	<u>\$ 295,082,700</u>
Provision for Government of Canada and Provincial Taxes	964,834	853,166
	<u>\$ 330,434,043</u>	<u>\$ 295,935,866</u>
Capital:		
Capital Stock:		
1,862,751 shares of the par value of \$2 each - - -	\$ 3,725,502	\$ 3,725,502
Reserve Fund - - - - -	16,250,000	15,500,000
Undivided Profits - - - - -	837,680	823,664
	<u>\$ 20,813,182</u>	<u>\$ 20,049,166</u>
	<u>\$ 351,247,225</u>	<u>\$ 315,985,032</u>
ESTATES, TRUSTS AND AGENCIES		
Estates, Trusts and Agencies under Administration - - -	<u>\$1,191,551,308</u>	<u>\$1,113,917,016</u>

Attested:

J. G. HUNGERFORD, Chairman.
HARRY H. WILSON, President.

STATEMENT OF UNDIVIDED PROFITS

For the Year Ended October 31, 1966

	1966	1965
Profits before taxes but after deducting cost of management, current contribution to the employees' pension plan, etc., and after deducting amounts appropriated to reserves for investment valuation and contingencies and the income tax provision related thereto - - - - -	\$3,572,583	\$3,250,155
Provision for Government of Canada and Provincial taxes on the profits shown above- - - - -	1,690,917	1,567,672
Net profits - - - - -	\$1,881,666	\$1,682,483
Balance brought forward from the previous year - - - - -	823,664	721,577
	<u>\$2,705,330</u>	<u>\$2,404,060</u>
Add:		
Amount released from investment reserves - - - - -	—	2,500,000
	<u>\$2,705,330</u>	<u>\$4,904,060</u>
Deduct:		
Four quarterly dividends aggregating 60 58 cents a share (58 cents a share in 1965) - - - - -	\$1,117,650	\$1,080,396
Transfer to Reserve Fund - - - - -	750,000	3,000,000
	<u>\$1,867,650</u>	<u>\$4,080,396</u>
Balance of Undivided Profits carried forward - - - - -	<u>\$ 837,680</u>	<u>\$ 823,664</u>

STATEMENT OF RESERVE FUND

For the Year Ended October 31, 1966

	1966	1965
Balance brought forward from the previous year - - - - -	\$15,500,000	\$12,500,000
Add:		
Transfer from Undivided Profits - - - - -	750,000	3,000,000
Balance carried forward - - - - -	<u>\$16,250,000</u>	<u>\$15,500,000</u>

HIGHLIGHTS

from the President's address at the Annual Meeting

H. H. Wilson, President

The report submitted to you today reflects further substantial progress. Increased profits permitted the declaration of a 5¢ extra dividend payable January 3, 1967 and the transfer of \$750,000 from Undivided Profits to Reserve Fund. Our Capital, Reserve Fund and Undivided Profits now total \$20,813,182, almost double the figure of five years ago. Payment of the extra dividend will mark the fourteenth consecutive year in which dividends have been increased.

The strength of our position is made clear by the note on the Balance Sheet stating that the quoted market value of our stock and bond holdings is in excess of the value at which these are carried on the Balance Sheet. This is in spite of the sharp decline in stock and bond prices during the year and the transfer in 1965 of \$2,500,000 from inside Investment Reserves to Reserve Fund.

After several years of rapid growth, Savings Deposits increased only moderately, but for the first time exceeded two hundred million dollars. Interest rates have risen markedly this year and both Canadian and U.S. government bonds have sold through a 6% basis, the highest return in several decades. The generous yields available on government bonds and on a wide range of other investments have naturally attracted surplus savings.

While the aggregate amount of Savings Deposits increased by less than \$4,000,000, the number of savings depositors increased by 21,000 which happens to be the same figure as the total number of all our savings clients just ten years ago. We now have over 175,000 depositors and this augurs well for the future of our savings business when more normal conditions prevail.

Most of the increase in our Savings Deposit business, both in amount and in the number of accounts, has come about as a result of open-

ing new offices. In less than ten years the number of our offices has increased from eight to thirty-nine. Four were opened in the past year. The entire cost of alterations, decorating, furnishings, equipment, advertising and promotion, as well as initial operating deficits, has been absorbed in current expenses over this ten-year period.

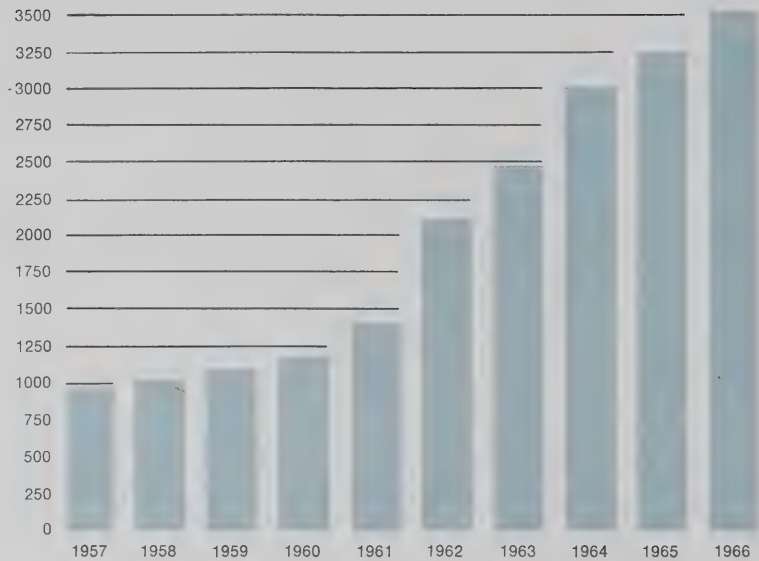
While a few of the newer offices are still "in the red", it is safe to say now that this costly expansion has proved to be successful. In 1966, for the first time, these offices collectively made a very significant contribution to the Company's earnings and within the next few months the entire cost will have been recovered.

Term Deposits of \$42,397,510 are down by more than \$13,000,000, the result of a decision to curtail this part of our business. We accept only large deposits maturing within 180 days and these are matched by investments in very high grade short term obligations.

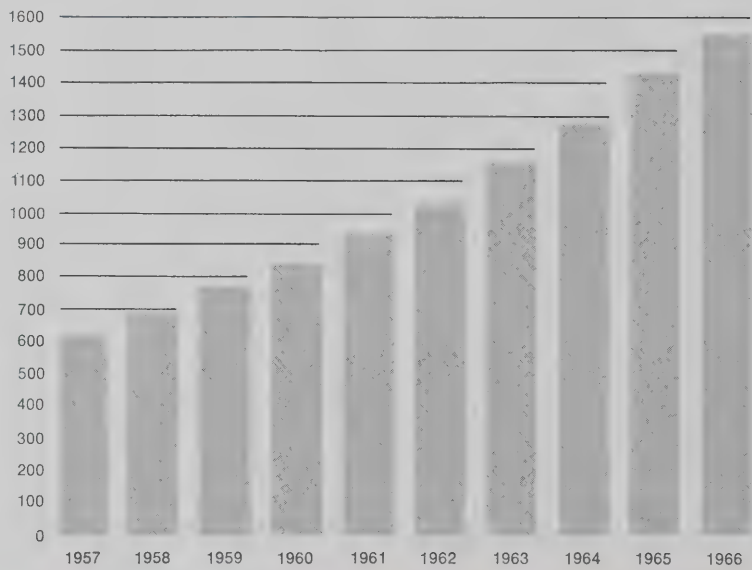
During the year we made three upward revisions in the interest rate paid on Guaranteed Investment Certificates, to the present six per cent. As a result, the total amount outstanding is now \$86,482,867, more than double the figure of one year ago. This has enabled us to continue lending on mortgages and to strengthen further our liquid position.

Turning to the Assets side of our Balance Sheet, it will be seen that Canadian and Provincial Government Bonds are up by \$7,586,998 and Municipal Bonds by \$883,449. Other Bonds and Debentures increased by \$590,337. I might point out that our short term position has been considerably strengthened by the \$13,000,000 reduction in Term Deposits already mentioned because our holdings of other Bonds and Debentures maturing within one year is down by only \$1,500,000, a net improvement of \$11,500,000. Our liquid position

PROFITS BEFORE TAXES in thousands of dollars



TOTAL ASSETS in millions of dollars



is particularly strong, being far in excess of the requirements of the Loan and Trust Corporations Act of Ontario. In addition to providing for possible contingencies, this is enabling us to take advantage of the attractive investment opportunities available under present conditions.

Stocks show a reduction of \$1,345,284 compared to one year ago.

Mortgages have increased by \$25,569,453 to \$183,126,537. Approximately one-third of our mortgages are either insured by the Government under the National Housing Act or are backed in various ways by nation-wide corporations. The balance are principally residential mortgages, carefully selected, and with ample reserves against them.

Office Premises and Equipment account rose by \$308,895. It is worth noting that, despite very large expenditures on offices and equipment over the past ten years, the amount at which these are carried on the Balance Sheet has increased by only \$1,100,000 in that period.

Natrusco Common Share Fund Limited, our open-end investment fund, continues to grow in size and in number of shareholders. In spite of its excellent performance since inception, in comparison with other funds of a similar nature, the growth has been relatively moderate. The reason for this is that we don't employ commission salesmen and the modest fee schedule we established did not contemplate expensive advertising and promotion.

While the recent report of the United States Securities and Exchange Commission concludes that funds of this type are "a sound and useful investment medium", it is critical of the loading charges levied by most of these funds. The report therefore recommends that Congress act to force reduction from an "excessive" average of 9.3% to 5%. The charges paid by an individual in the purchase and sale of the shares of Natrusco Common Share Fund are based on Toronto Stock Exchange commissions and are less than the 5% recommended by the S.E.C.

The value of an alert and knowledgeable investment staff has never been more apparent

than in recent months. The Company's own financial condition demonstrates this, as does the increasing number of individuals and corporations coming to us for investment counsel and management. The growth of these services has, in fact, been striking.

Our Personal Trust Departments had a busy year. Actually these represent a group of affiliated and subsidiary departments staffed with specialists in various fields, e.g. taxation, investments, insurance, real estate, mortgages, etc. Experienced and skilled people, of course, are the real strength of this Company. The reputation of the Company has been largely built on trust services to individuals, particularly in the handling of estates. I venture to say that this rests by no means entirely on the efficient management of the funds entrusted to us but to a great extent on our sympathetic approach to the personal and very human problems involved.

In the Corporate Trust area, both our Stock Transfer and Bond Trusteeship Divisions had a busy year, each with higher profits than in 1965. These excellent results have been possible only because of a lot of hard work and efficient and up-to-date operating procedures.

Almost all offices and departments of the Company now employ the Data Processing equipment at Toronto Office. I would like to take this opportunity to compliment the members of our staff who carried out this massive conversion with a minimum of trouble and disruption. The result has been a fuller and more economic utilization of this costly installation.

"Word of mouth" business has accounted for a good part of our growth over the years, we must actively seek new business in this competitive age. We spend a lot of time and money on advertising and promotions of various kinds. While accurate assessment of results is difficult, we feel that an aggressive policy is essential under present conditions. Certainly our savings deposits would not have quadrupled in ten years if we had not let the public hear about us.

COMPARATIVE SUMMARY: LAST TEN YEARS

	1966	1965	1964	1963
END OF YEAR				
Savings Deposits - - - - -	\$200,588,832	196,843,317	171,078,537	142,268,756
Guaranteed Investment Certificates -	86,482,867	42,416,939	29,710,525	26,931,471
Capital Funds - - - - -	20,813,182	20,049,166	16,947,079	14,003,601
Estates, Trusts and Agencies - -	1,191,551,308	1,113,917,016	1,016,935,854	945,916,031
TOTAL FOR YEAR				
Profits before taxes - - - - -	\$ 3,572,583	3,250,155	3,013,932	2,493,750
Taxes - - - - -	1,690,917	1,567,672	1,577,751	1,264,754
Net profits - - - - -	1,881,666	1,682,483	1,436,181	1,228,996
Dividends paid - - - - -	1,117,650	1,080,396	959,914	802,669
PER SHARE				
Profits before taxes - - - - -	\$1.92	1.74	1.62	1.48
Taxes - - - - -	.91	.84	.85	.75
Net profits - - - - -	1.01	.90	.77	.73
Dividends paid - - - - -	.60	.58	.54	.50

1962	1961	1960	1959	1958	1957
	(10 months)				
108,911,206	84,660,112	72,427,662	66,560,687	68,964,746	49,363,201
19,786,701	16,465,316	14,684,780	8,243,124	5,114,442	3,014,600
11,476,018	10,532,149	7,194,443	7,095,428	7,033,313	6,968,099
846,688,142	772,406,866	717,457,004	664,092,078	593,694,806	542,468,361
2,112,648	1,438,531	1,181,407	1,104,226	1,031,398	987,622
1,108,886	715,249	539,000	502,111	456,184	447,000
1,003,762	723,282	642,407	602,115	575,214	540,622
666,663	483,866	570,762	540,000	510,000	480,000
1.39	.95	.79	.74	.68	.66
.73	.47	.36	.34	.30	.30
.66	.48	.43	.40	.38	.36
.44	.32	.38	.36	.34	.32



1922 Weston Road, Toronto



1350 Sherbrooke Street West, Montreal

NEW OFFICES IN 1966

26 Queen Street, St. Catharines





2190 Oak Bay Avenue, Victoria



250 Portage Avenue, Winnipeg

Agincourt Mall, Agincourt



For Individuals

Savings Accounts
Guaranteed Investment Certificates
Natrusco Common Share Fund
Retirement Savings Plans
Canada Savings Bonds
Travellers Cheques
Safety Deposit Boxes

Estate Planning
Executor
Trustee under Will
Trustee under Agreement
Administrator
Guardian of Infants' Property
Committee of Property for Incompetent and Incapable Persons

Investment Management
Agent by Agreement
Custodian of all types of Assets

Real Estate Sales and Purchases,
Valuation and Management
Mortgage Loans

For Corporations

Trustee for Bond and Debenture Issues
Receiver and Manager of Corporate Property
Trustee under Voting Trust, Depository, Escrow, Share Purchase and like Agreements

Transfer Agent and Registrar for Shares of Companies

Secretarial and Scrutineer Services for Corporate Proceedings

Interest and Dividend Disbursing Agent

Term Deposits

Trustee for Pension, Profit Sharing and other Employee Benefit Plans

Real Estate Sales and Purchases, Valuation and Management

Mortgage Loans

Safety Deposit Boxes

